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Mr. Robert R. Simmons, Staff Director  
 Select Committee on Intelligence  
 United States Senate  
 Washington, D.C. 20510 - C-453426

TO -

HAC - C-45347

SAC - C-45347

HPSCI - C-4534

Dear Rob:

This letter is written to describe an experimental pay program known as grade banding which we propose to implement in the Agency's Office of Communications for the Telecommunications Officer occupation category. This experimental program consolidates the current General Schedule (GS-05 through GS-15) into five pay levels. By doing so, the pay range for each pay level is modified to cover two or more GS grades. All pay decisions are based on substantially documented performance criteria.

STAT This program will be limited to the Office of Communications, and will include  Telecommunications Officers. The program involves use of a simplified position classification system; banding of the General Schedule grade levels; integration of our objectives-based appraisal system with the pay system; and establishment of management accountability through the budget process. The experiment will run for up to five years.

This system appears to offer us several improvements over our current pay practices. First, this pay-for-performance system allows for performance-related salary increases within a grade level rather than solely through promotion to the next grade level, thus reducing upward pressure on the position classification system. Second, the system provides managers with greater flexibility and accountability to set pay and to reward employees. Third, it simplifies and expedites position classification. Fourth, we anticipate that this system will enhance our efforts to recruit and retain the highly skilled specialists who are vital to our organization.

A substantial increase in payroll costs to fund this experiment is not anticipated. We have projected an additional operating cost of approximately  for the

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first year of the experiment. This includes a one-time cost of approximately \$250,000 for conversion to the new pay schedule. All costs will be absorbed out of our current personal services budget.

Pay levels in the experimental schedules are linked to the General Schedule as follows:

	<u>GS Schedule</u>	<u>Experimental Schedule</u>
Trainee Level	GS/GSO-06/08	TCO/TCX - 1
Working Level	GS/GSO-09/11	TCO/TCX - 2.
Nonsupervisory Specialist	GS/GSO-11/12	TCO/TCX - 3
First Level Supervisory/Staff	GS/GSO-12/13	TCM/TCY - 3
Management/Senior	GS/GSO-14/15	TCM/TCY - 4

Since 1979, the Department of Navy has been conducting an experiment using a similar alternative pay program for its laboratories at Naval Weapons Center, China Lake, California, and at the Naval Ocean Systems Center, San Diego, California. Authorized under the Civil Service Reform Act of 1978, that experiment simplifies position classification and provides greater pay flexibility to management without substantially increasing payroll costs.

Over the life of our experimental pay program, we will monitor and evaluate on an annual basis the costs of the program and its success in meeting our improved performance and longevity objectives. Information obtained from our analysis will form the basis for discussions with you on any future expansion of the system to other parts of this Agency. If after receipt of these details you would like further briefing, we would be happy to do so. We are looking to implementation on 6 January 1985.

Sincerely,

/s/Charles A. Briggs

Charles A. Briggs  
Director, Office of Legislative Liaison